

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Reseller Expedited Package Contracts 2
(MC2013-51)
Negotiated Service Agreement

Docket No. CP2018-85

PUBLIC REPRESENTATIVE COMMENTS ON NOTICE OF
UNITED STATES POSTAL SERVICE OF FILING A
FUNCTIONALLY EQUIVALENT GLOBAL RESELLER EXPEDITED PACKAGE 2
NEGOTIATED SERVICE AGREEMENT
(December 14, 2017)

I. Introduction

The Public Representative hereby provides comments pursuant to a Commission notice.¹ In that notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, regarding the Notice of the United States Postal Service of filing a functionally equivalent Global Reseller Expedited Package 2 (GREP 2) Negotiated Service Agreement.² The Postal Service filed several additional documents as attachments to this notice: Attachment 1 is a reacted copy of the contract (Contract); Attachment 2 is a redacted Certification of Compliance with 39 U.S.C. § 3633(a); Attachment 3 is a redacted copy of Governors' Decision 11-6; and Attachment 4 is an application for non-public treatment of materials. Redacted financial models were filed separately as Excel files. Unredacted copies of redacted documents were also filed under seal.

Prices and classifications not of general applicability for GREP contracts were previously established by Governors' Decision No. 10-1, issued March 24, 2010. Notice

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings. December 13, 2017.

² Notice of United States Postal Service of Filing a Functionally Equivalent Global Reseller Expedited Package 2 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed under Seal. December 12, 2017. (Notice).

at 1. In Order No. 1746, the Commission designated the agreement that is the subject of Docket Nos. MC2013-51 and CP2013-64 as the baseline agreement for the GREP 2 product. *Id.* at 3. The contract filed in that docket serves as the baseline agreement for comparison of functional equivalency analysis with respect to future GREP 2 contracts. *Id.*

Customers for GREP 2 contracts are resellers that market Priority Mail Express International, Priority Mail International, and/or First-Class Package International Service at discounted prices to their customers, especially small- or medium-sized businesses. *Id.* at 5. Prices offered under GREP 2 contracts may differ depending on the postage commitments made by customers or the date on which the agreement is signed. *Id.*

The intended effective date for the Contract is January 1, 2018. *Id.* The Contract expires one year after its effective date unless terminated earlier subject to the terms of the agreement. *Id.* at 3-4. The Postal Service states that the Contract is “functionally equivalent in all pertinent respects” to the contract that this is subject of Docket Nos. MC2013-51 and CP2010-64. *Id.* at 9. The Postal Service, therefore, requests that this contract “be added to the GREP 2 product grouping.” *Id.*

II. Comments

Functional Equivalence. The Postal Service states that the instant contract is “substantially similar to the contract filed in Docket Nos. MC2013-51 and CP2013-64” which serves as the baseline agreement. *Id.* at 4. The Postal Service asserts that the “functional terms” of the Contract “are the same as those of the . . . baseline agreement of the GREP 2 product grouping” and “shares similar cost and market characteristics with that contract.” *Id.*

The Postal Service provides a comprehensive list of the differences between this contract and the contract that is the subject of the baseline dockets. *Id.* at 5. These differences include changes to several Articles, Annexes, and reorganized definitions. *Id.* at 5-8. After reviewing the documents filed publically with the Commission as well as those filed under seal, the Public Representative concurs with the Postal Service that

these differences do not “affect either the fundamental service...or the fundamental structure of the contract.” *Id* at 8-9.

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service’s competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

As presented, the Postal Service’s financial model does not directly address whether the addition of the Contract to the GREP 2 product will result in the product as a whole covering costs as required by 39 U.S.C. § 3633(a)(2). However, the Postal Service’s financial model indicates that the negotiated rates in the Contract will generate sufficient revenue to cover its attributable costs. Therefore, the inclusion of the Contract within the GREP 2 product will not cause the product’s cost coverage to fall below 100 percent, assuming the product currently covers its attributable costs. Under this assumption, the addition of the Contract should allow the GREP 2 product to continue to comply with 39 U.S.C. § 3633(a)(2), and should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Moreover, the maintenance of cost coverage by the GREP 2 product should improve the likelihood that competitive products as whole contribute an appropriate share to the Postal Service’s institutional costs, consistent with 39 U.S.C. § 3633(a)(3). The Commission will have an opportunity to review the financial results for the Contract in a future ACD Report for compliance with 39 U.S.C. 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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